

# Charity Assets Trust

## Positive absolute returns with low volatility for charities

January was an extremely strong month for almost all asset classes – the best start to the year for US and European equity markets since 2019 and 2015 respectively. Bonds rallied strongly as well. Indeed, the only major asset that did not rise in January was oil.

What drove such a strong month? The answer lies in the market's expectations of future events and how they have changed since October. Three factors matter most: firstly, a more emollient tone from the Federal Reserve in the US. As inflation and economic data has softened, and the Federal Reserve has reflected this by slowing the pace of interest rate hikes, the market has moved quickly to rule out the possibility of the US being driven into a significant recession.

Secondly, the warm winter in Europe has allowed energy prices to fall dramatically (European gas prices have now fallen 85% from their peak in August) and thus eliminate the concerns over European stagflation. And finally, the chaotic and rapid Chinese reopening has driven up market expectations of global economic growth in 2023, particularly in those spots where it was weakest such as European manufacturing and Chinese real estate.

All this contributed to a rapid reduction in fears of possible 'bad outcomes' for the market, and this has been reflected in a massive 50% decline in equity volatility and a 40% decline in bond volatility since October, accelerating in January and supporting a huge increase in risk-taking in the financial system. All the assets which performed worst last year have performed best so far this year, from cryptocurrencies to the 60/40 balanced portfolio.

The fund's risk assets have participated in this rally, but the protection assets have almost entirely cancelled that out. Ultimately, we don't think the major asset classes have repriced sufficiently to reflect a (US) risk-free rate of 4.5% or higher, meaning that we see few good risk-reward opportunities. The market is salivating at the prospect of Federal Reserve interest rate cuts beginning in the summer; it might be right, but the rally means that it will now be painful if the cuts aren't delivered. We remain defensively positioned and think it prudent to watch proceedings from the sidelines: our focus is on balancing the portfolio to make sure it retains its ability to protect capital in the drawdown that we expect will be visible later in the year. Better to live to fight another day!



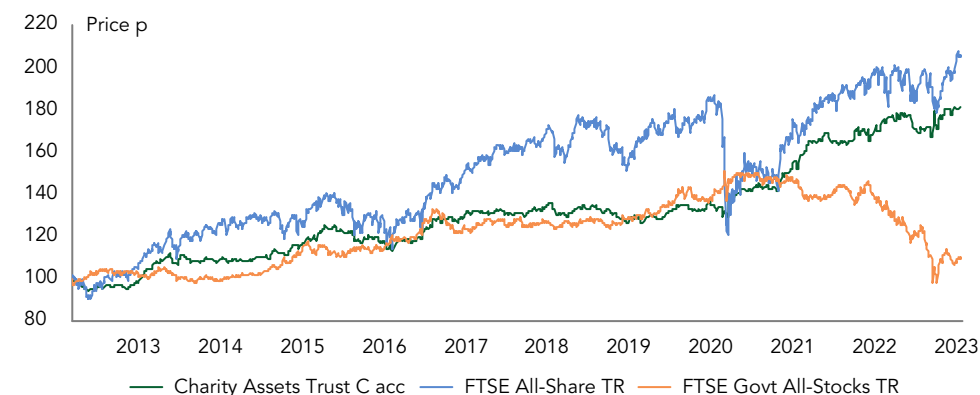
### Investment objective

The fund will follow an 'absolute return' investment strategy. This means the Manager will not endeavour to track or 'outperform' a specific benchmark or stock market index, but instead seek to generate consistent positive returns regardless of the prevailing market conditions. The Manager expresses its absolute return approach through two principal investment objectives for the fund: 1) preservation of capital, which the Manager defines as not losing money on a rolling 12 month basis and 2) delivering consistent positive returns (through a combination of capital and income) greater than the return on cash (as defined by the Bank of England Bank Rate).

### Responsible Investment Policy

The fund has strict restrictions on investment in alcohol, armaments, gambling, pornography, predatory lending, tobacco, oil sands and thermal coal. It also follows a proactive voting and engagement approach with companies held within the fund. The fund is monitored against UN Global Compact principles, MSCI's ESG Metrics and the managers also monitor the fund's carbon metrics.

### Performance since launch on 8 March 2012



C Accumulation units	Performance %	Unit price as at 31 January 2023		p
January 2023	-0.6	<b>C Accumulation</b>		<b>179.95</b>
Year to date	-0.6	<b>C Income</b>		<b>148.10</b>
1 year	6.0			
3 years	35.9			
5 years	34.6			

12 month performance to December %	2018	2019	2020	2021	2022
Charity Assets Trust C acc	-5.6	7.3	11.9	11.0	7.4
FTSE All-Share TR	-9.5	19.2	-9.8	18.3	0.3
FTSE Govt All-Stocks TR	0.6	6.9	8.3	-5.2	-23.8

Source: Ruffer LLP, FTSE International

Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

# Charity Assets Trust as at 31 Jan 2023

## Asset allocation



Asset allocation	%
Short-dated bonds	33.2
Illiquid strategies and options	14.3
Index-linked gilts	12.3
Long-dated index-linked gilts	7.5
Non-UK index-linked	5.5
Gold exposure and gold equities	4.4
Cash	2.4
UK equities	7.9
Europe equities	4.0
North America equities	3.3
Japan equities	1.8
Commodity exposure	1.3
Asia ex-Japan equities	1.0
Other equities	1.0
Currency allocation	%
Sterling	57.5
US dollar	19.2
Yen	8.5
Australian dollar	7.7
Euro	3.1
Other	4.0

## Currency allocation



## 10 largest equity holdings\*

Stock	% of fund
BP	4.2
NEC	0.8
Royal Vopak	0.6
Volkswagen	0.6
Harmony Energy	0.5
Yara International	0.5
Deutsche Post	0.5
Unilever	0.5
Fuji Electric	0.5
Rohm	0.5

## 5 largest bond holdings

Stock	% of fund
UK Treasury index-linked 0.125% 2024	7.1
US Treasury FRN 31 Oct 2023	6.4
US Treasury FRN 31 Oct 2024	6.4
US Treasury FRN 31 Jan 2024	6.4
UK Treasury index-linked 2.5% 2024	3.6

\*Excludes holdings in pooled funds  
Source: Ruffer LLP.  
Pie chart totals may not equal 100 due to rounding.

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Fund size **£345.9m**

## Fund information

	%
Ongoing Charges Figure	1.18
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.53
Minimum investment	£500
Ex dividend dates	15 January, 15 April, 15 July, 15 October
Pay dates	15 March, 15 June, 15 September, 15 December
Dealing	Weekly forward, every Wednesday where this is a business day Plus the last business day of the month
Cut off	12.00pm on Wednesday (where this is a business day) and the last business day of the month

Unit classes	Accumulation and income	
ISIN	Accumulation GB00B740TC99	Income GB00B7F77M57
SEDOL	B740TC9	B7F77M5
Manager and investment adviser	Ruffer AIFM Limited	
Trustee	BNY Mellon Fund & Depository (UK) Ltd	
Custodian	Bank of New York Mellon SA/NV	
Administrator	Bank of New York Mellon (International) Limited	
Auditors	Ernst & Young UK LLP	
Legal advisers	Eversheds Sutherland (International) LLP	
Structure	Common Investment Fund established under section 24 of The Charities Act 1993	

**Eligible charities** are those registered as a charity with the Charity Commission for England and Wales, the Office of the Scottish Charity Regulator and/or Inland Revenue Charities, Bootle, Merseyside (including charities established in Northern Ireland), or exempt from registration with the Charity Commission by virtue of the Charities Act 1993 (as amended).

## Fund Managers

### Jos North

#### INVESTMENT DIRECTOR

Joined Ruffer in 2012 and now leads Ruffer's UK institutional business, including UK defined benefit, defined contribution and local government pension schemes, and UK charities. He is a member of the CISI, following completion of the CISI diploma and co-manages two of Ruffer's flagship funds.



### Jenny Renton

#### INVESTMENT DIRECTOR

Joined Ruffer in 2013 and leads Ruffer's US team and co-manages two of Ruffer's flagship funds. Previous roles included oil and gas companies and the fund team at Ingenious Investments. She is a CFA charterholder.



### Ajay Johal

#### INVESTMENT MANAGER

Joined Ruffer in 2014 from Barclays Wealth. In 2019, he worked as an equity analyst in Ruffer's Hong Kong office, then joined the charities team in London as an Investment Manager. He holds a degree in history and sociology from the University of Warwick and is a member of the Chartered Institute of Securities & Investment.



## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2022, assets managed by the Ruffer Group exceeded £26.3bn.

## Dealing line

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## Enquiries

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